

SECRET

CONTRACT APPROVAL

SAPC-4856
Copy 2 of 6

Contract No. A-101

Pursuant to your request of 16 March 1956 (CMCC Doc. No. 151x5.19) and as a modification of approval issued 26 January 1956, approval is hereby granted to utilize the following provisional rates in connection with billings under Contract No. A-101.

25X1

Communications Division overhead
expense - of direct labor.

25X1

Communications Division General
and Administrative expense -
of cost of sales.

The above provisional rates are approved retroactive to 1 January 1956 and for use until experience indicates a revision should be made. Billings from 1 January 1956 should be adjusted accordingly.

The instant approval is based on appropriate review and resultant recommendations made by the cognizant Air Force Auditor and approved by the Air Force Contracting Officer and subsequent similar reviews, recommendations and approvals will be considered by the undersigned in adjustment of the provisional rates approved herein and in determination of firm rates applicable to the work hereunder.

25X1

25X1

25X1

Distribution:

- Orig -
2 - MASTER/ *Approved*
3 - SERVICE
4 - Finance Officer (Ogan)
5 - Chrono
6 - Reading

Contracting Officer
Contract No. A-101

GFK:vd (3/29/56)

25X1

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CMCC Doc. No. 151X5.19

Copy 1 of 2

Page 1 of 2

16 March 1956

Dear George:

25X1 You have given tentative approval for overhead and for General and Administrative billing rates of respectively, subject to Air Force approval. The Air Force has reviewed the company's proposed billing rates and has approved the following as provisional rates, based upon the company's forecast for the first six months of 1956.

25X1 Communications Division overhead
expense -- of direct labor

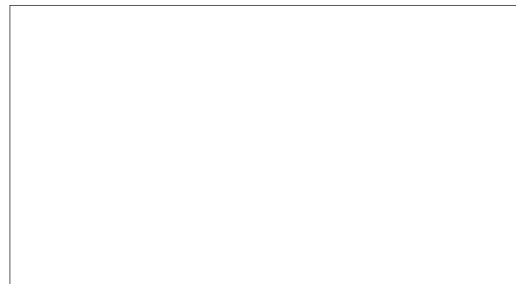
25X1 Communications Division General and
Administrative expense -- of
cost of sales

The above rates are to be effective retroactive to 1 January 1956, and forward until experience indicates a revision should be made. Attached is a copy of the Air Force approval of these rates.

Your approval is requested for the revised rates. We will begin preparing vouchers immediately at the new rates and the next group forwarded to you will be on this basis. Billings from 1 January 1956 will be adjusted to reflect these rates.

At this time we want to advise you of our plan to change our accounting procedure so that certain costs now allocated through the G and A pool will be allocated on the basis of divisional overhead. This will have the effect of increasing divisional

25X1



CMCC Doc. No. 151X5.19

Copy 1 of 2

Page 2 of 2

overhead rates and reducing the company's G and A rate. It will not change the net costs of operation. The plan, when completed, will be submitted to the Air Force Contracting Officer and to you for approval. We plan to analyze first quarter 1956 operating results in order to determine firmer rates. When these new rates have been determined, we will use them for proposal purposes.

Sincerely,



Bob